

# M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Creighton Chan, Manager Analyst: A. Emerson

Subject: ONE-STEP AGREEMENT FOR **CORPORATE EXPRESS OFFICE PRODUCTS, INC. (SET)**

## **CONTRACTOR:**

- Training Project Profile: SET-Workers Earning At Least State Avg Hrly Wage
- Legislative Priorities: Moving To A High Performance Workplace  
Developed Jointly By Management And Workers
- Type of Industry: Services (Supplier Of Office Goods)
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - Worldwide: 10,775
  - In California: 924
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: Graphic Communications Union, AFL-CIO, Local No. 388m

## **CONTRACT:**

- Program Costs: \$464,100
- Substantial Contribution: \$0
- Total ETP Funding: \$464,100
- Total In-kind Contribution: \$500,000
  - Trainee Wages Paid During Training: \$343,718
  - Other Contributions: \$156,282
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide

## **INTRODUCTION:**

By its own account, Corporate Express Office Products, Inc., (Corporate Express) is one of the world's largest business-to-business suppliers of essential office and computer products and services. Founded in 1986 with 11 employees located in one small building, the firm now reports 2003 sales of approximately \$4.4 billion in North America alone. With one of the most sophisticated distribution infrastructures in the world—including almost twice as many delivery vehicles as its nearest competitor as well as advanced information systems and state-of-the-art warehouse technology—Corporate Express states that it is the market leader in North America and Australia, and second in Europe. Currently the firm is striving to become a high-performance workplace and is providing training for nearly 40 percent of its California staff so that they may learn several new technologies and corresponding sets of best practices. The 357 persons to be trained under this proposed Agreement will come from sites in Newark, Oakland, San Francisco, Sacramento, Placer, Santa Clara, and Salinas, California. The proposed training plan has been reviewed and approved by the local chapter of the Graphic Communications Union, AFL-CIO.

The Company qualifies for Special Employment Training (SET) funds under title 22, California Code of Regulations, Section 4409(a) for the retraining of frontline workers in occupations that pay at least the state average hourly wage.

## **MEETING ETP GOALS AND OBJECTIVES:**

Corporate Express proposes training that will further the following ETP goals and objectives:

- 1) Training is targeted to frontline workers who are earning high wages. The prevalent wage for trainees in this project is \$29.03 per hour. This project meets ETP's legislative mandate to invest in developing the skills of frontline workers and to foster job retention in high-wage, high-skilled jobs.
- 2) Training will facilitate the Company's moving to a high-performance workplace, meeting ETP's legislative funding priority in the same regard.
- 3) This training plan was developed jointly by management and labor, meeting ETP's legislative funding priority and ETP's strategic plan objective of funding projects that support partnered union-employer training ventures.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job 1 Retraitees: SET Frontline Workers	Menu: Business Skills Commercial Skills Computer Skills Continuous Improvement	357	30-200	0-70	\$1,300	*\$20.29-\$56.92
					<b><u>Prevalent Hourly Wage</u></b> \$29.03	
					<b><u>Average Cost Per Trainee</u></b> \$1,300	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> *Employer-paid health benefits of at least \$5.00 per hour may be used to meet the ETP minimum hourly wage of \$20.29 for SET frontline worker projects.					<b><u>Turnover Rate</u></b> 23%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 0%
<b><u>Other Employee Benefits:</u></b> In addition to health benefits, the participating employer offers the following benefits to employees: life insurance, short- and long-term disability, and a 401(k) plan.						

## **COMMENTS / ISSUES:**

### ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee)(1) or (2) which defines the term frontline worker as an individual who meets at least one of the following criteria. First, that he or she is not exempt from overtime under state or federal law, providing he or she directly produces or delivers goods or services, or second, that he or she is covered by a collective bargaining agreement, providing he or she directly produces or delivers goods or services.

Persons employed as account managers, moreover, do not supervise individuals, but are responsible for managing day-to-day relationships with clients and for managing large and mid-market accounts within a specified geographic territory. When needed, account managers work together with sales managers, product specialists, customer service staff and other resource personnel to best manage corporate accounts.

### ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

### ***Request for Waiver to Turnover Rate***

Corporate Express' California turnover rate for calendar year 2003 was 23 percent. In accordance with Title 22 California Code of Regulations, Section 4417, Secure Job, the Panel may accept a higher than 20 percent turnover rate if the employer provides evidence that this rate is an anomaly and/or if the proposed training will significantly decrease the turnover rate. According to information submitted by the prospective Contractor, its turnover rate peaked at 40 percent during 2001 when the firm underwent significant restructuring following its merger with BT Office Products. Since that anomalous event, Corporate Express' annual turnover rates have declined to 35 percent in 2002, 23 percent in 2003, and 9 percent to date in 2004.

Due to this evolution in job stability and the employer's statement that the herein-described training will lower the attrition rate even further, staff recommends that the Panel waive the turnover rate requirement. Contract language has been added to the ETP Agreement which states that the prospective Contractor will earn the final 25 percent progress payment for each trainee only if the Contractor achieves an average turnover rate of 20 percent or less for the last 12 months of the Agreement. A report on the turnover rate will be submitted by the employer with its closeout Agreement invoice.

## **PROPOSED ACTION:**

Staff recommends that the Panel approve the request for a waiver and approve this Agreement if funding is available and the project meets Panel priorities.

**NARRATIVE:**

During the past year Corporate Express has invested in several new technologies that currently require retraining be provided to all frontline workers, including those to be enrolled under this contract. The first technology, called Pick-to-Voice-to-Cart, in which the firm has invested \$15 million, will be used by personnel in the distribution department. According to the Company, this software system will not only enable employees to become more proficient in filling orders, it will also greatly reduce human error by providing automated quality control. The second technology consists of the Roadnet Planner, a route consolidation system representing a cost to Corporate Express of \$2 million. This system will reduce the miles driven by deliverers, thus lowering the cost of account maintenance. The last technology, representing a \$10 million Company investment, also is currently being implemented: termed Mobile POD (Proof of Delivery), this is comprised of a handheld automated system that customers will sign upon receiving packages, a streamlined process that will more efficiently track information on line, resulting in better customer service. According to Company representatives, the degree of success of these major investments is dependent, however, on the proper education of frontline workers in new technologies, related equipment, and attendant best practices.

There are two primary reasons for this training to be implemented and approved under an ETP Agreement. First, Corporate Express became ISO-certified last year for the first time. With this official recognition from the International Organization of Standardization, standards of quality were elevated substantially, which now, with the advent of new technologies and changed processes, must be surpassed. To maintain Company goals and improve organizational standards, Corporate Express states it must ensure consistent training of its employees. This development coincides with the firm's commitment to raise its retention rate and pioneer a "continuous improvement" culture.

The second incentive for a comprehensive training program is based on the fact that many job duties will change due to implementation of the above-described new technologies. As Corporate Express transitions from a manual environment to a more automated one, not only will employees need to operate new technical equipment, they also must learn how to work in teams to solve problems that arise during systems implementation. As part of its transition to a high-performance workplace, the firm will provide courses in adapting to change, making decisions, and providing feedback on those decisions, delegating tasks, communicating with others, and improving work processes.

In addition, all trainees, save drivers, must learn how to field customer questions concerning the new processes of ordering and receiving product. For account managers in particular, who will take classes in *business skills*, *computer skills*, and *continuous improvement*, it is expected that these individuals will become versed in how to make decisions relative to maintaining Corporate Express' current customer database and implementing the technological changes relative to the firm's account base. Administrative staff, who must provide the support needed to implement and maintain the new technologies, will also be trained in these three areas.

**NARRATIVE: (continued)**

Also, sales representatives will be enrolled in these courses who, while responding to questions from current and potential customers, must operate new computerized systems while warehouse workers, also following the same curriculum, must learn how to operate Corporate Express' new Pick-to-Voice-to-Cart system in a just-reconfigured warehouse. In addition to these occupations directly affected by new technologies, drivers will be required to attend a *commercial skills* course to ensure that the paperless systems they must learn will provide improved customer service. Both drivers and warehouse staff will also take training in hazardous materials, for with the introduction of new products comes the need to learn how to handle new dangerous chemicals.

***Supplemental Nature of Training***

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. For the first time, Corporate Express will embark on a large-scale continuous improvement effort that it can build upon for years to come. None of the training topics to be taught under this project has ever been offered before at Corporate Express and all will involve new skills that will help employees establish a companywide communication system that allows for future growth.

Historically, the formal training budget has allowed for only some training in mandatory courses like sexual harassment, the non-violent workplace, and a drug- and alcohol-free workplace, along with new-hire orientation and basic job skills training in each department.

During the term of this contract and following the cessation of ETP training, the proposed Contractor will continue delivering the same curriculum to those not enrolled in this project.

**SUBCONTRACTORS:** None

**THIRD PARTY SERVICES:**

No consultant services were employed during the development process of this Agreement.

**Corporate Express Office Products, Inc.**

MENU CURRICULUM

Class/Lab Hours  
30-200

Trainees will receive any of the following:

CBT Hours  
0-70

Continuous Improvement:

Interaction Skills for Success

Core Skills for Building Commitment

Building Trust

Adapting to Change

Feedback Fundamentals

Service Plus

Coaching for Success

Coaching for Improvement

Helping Others Adapt to Change

Achieving your Highest Priorities

Quality Improvement

Cross-Functional Teams: Cross-Functional Team Development (CBT)

Decision Making & Problem Solving: Problem Solving Fundamentals (CBT)

## MENU CURRICULUM

### Commercial Skills:

Pick to Cart Training

Order Management Training

POD (Proof of Delivery) Training

Hazmat Training (shall not exceed 10 percent of training hours per trainee)

New Product/Promotion Training

Smith Training (Quality Control)

Facilities Training

### Business Skills

Budgeting: Creating & Analyzing a Budget (CBT)

Business Finance: Risk Analysis (CBT)

Business Problem Solving: Critical Thinking and Information Analysis (CBT)

Business Problem Solving: Problem Solving Fundamentals (CBT)

Business Problem Solving: The Problem-Solving Process (CBT)

Business Writing (CBT)

Change Management: Adapting to Change (CBT)



## MENU CURRICULUM

### Business Skills (continued)

Consulting: Serving as an Internal Consultant (CBT)

Financial Management: Analyzing Financial Statements (CBT)

Financial Management: Budgeting (CBT)

Financial Management: Accounting Concepts (CBT)

Financial Management: Inventory Costing and Depreciation (CBT)

Financial Management: Understanding Financial Statements (CBT)

Interpersonal Communication: Effective Communication (CBT)

Advanced Customer Relationship Management Skills (CBT)

Advanced Customer Relationship Management Skills: Implementation (CBT)

Effective Presentations: Essentials of Persuasion (CBT)

Effective Presentations: Planning a Presentation (CBT)

Negotiating: Advanced Negotiation Tactics (CBT)

Negotiating: Preparing for a Negotiation (CBT)

Negotiating: The Negotiation Process (CBT)

Operations Management: Fundamentals of Operations Management (CBT)

Operations Management: Operations Components (CBT)

Operations Management: Operations Management Tools (CBT)

## MENU CURRICULUM

### Business Skills (continued)

Project Management Essentials: Controlling and Closing a Project (CBT)

Project Management Essentials: Planning a Project (CBT)

Project Management Essentials: Project Scheduling and Budgeting (CBT)

Project Management: Risk Management (CBT)

Project Management: Scope (CBT)

Project Management: The Fundamentals (CBT)

Project Management: the Team (CBT)

Quality Management: Business Process Improvement (CBT)

Quality Management: Quality Management Tools (CBT)

Quality Management: The Quality Management Process (CBT)

### Computer Skills

MS Access 2000 Expert User (CBT)

MS Access 2000 Fundamentals (CBT)

MS Access 2000 Proficient User (CBT)

MS Excel 2000 Expert User (CBT)

MS Excel 2000 Fundamentals (CBT)

MS Excel 2000 Proficient User (CBT)

MS Outlook 2000 Fundamentals (CBT)

MS Outlook 2000 Proficient User (CBT)

MS PowerPoint 2000 Expert User (CBT)

MS PowerPoint 2000 Proficient User (CBT)

MS Project 2000 Fundamentals (CBT)

MS Word 2000 Fundamentals (CBT)

MS Word 2000 Proficient User (CBT)